Accounting, Business Methods, Investments and the Exchanges

Speculation. Its Sound Principles and Rules for Its Practice. By THOMAS TEMPLE HOYNE. (Chicago: Economics Feature Service, 1014 South Michigan Avenue. 1922. Pp. 279. $2.50.)

This book is exactly what it purports to be, namely, a discussion of both the theory and the practice of organized speculation. The main strength of the book—and it has many strong points—is the author's familiarity with both the literature and the concrete facts of his subject. He writes of speculation as one "on the inside." Perhaps the chief weakness of the book, if it be a weakness, is the controversial element introduced by his long discussion of "Professor Fisher's mad dollar" and the rather long and caustic remarks about the farmers' coöperative grain-selling movement.

The material in the book is well organized, and is presented with literary finish. Part I (122 pages) treats of Speculation and Economic Fallacies. Price and value, speculation and gambling receive a very full treatment. "Speculative force," says the author, "is that tendency in man to act in regard to the production, acquisition or distribution of wealth in accordance with his speculative theorizing concerning the future, the attribute which above all others distinguishes him from the brute. It is the tendency to translate into advantageous action the result of using his brains." This speculative force, the author claims, expresses itself in exchange, and economics is primarily the science of exchange.

Speculation and gambling are contrasted. Gambling is an amusement; speculation is an occupation that confers a benefit upon society. (In another connection the author defines speculation as that kind of exchange which records the effort to increase the capital involved in making it without any necessity for labor or service.) In speculation both parties may profit or both lose, or one may profit and one may lose. In gambling there must be a loss for every gain. Speculation confers some economic benefit upon society, but gambling does not.

The author's discussion of price and value shows very keen analysis of this hard problem. Some quotations will suffice to give his views:

> Value is an idea—an opinion—of what price should be. It is not the estimation of any one individual, but is the opinion of what that definite amount of money is—always unknown in most cases—which theoretically would be reached as a price by a compromise of all those persons qualified to judge in the particular instance, if they sat in joint consideration. Furthermore, presuming that such an imaginary conclave did actually gather and did set the value on any article in the world, that value would not, in all probability, remain fixed for any protracted period of time. It might change the very next instant. This is because value is merely opinion.

Value, then, as I understand and define the term, is the ideally true ratio for exchange between money and the thing valued. This true ratio is always a difficult relation to discover (perhaps in no case can it be certainly discovered), and individual opinion concerning what it is almost invariably, but not always, differs, no matter what the thing under consideration may be.

The quest for true values, true ratios of exchange, says the author, constitutes the fascination and romance of business. Differing opinions are reflected in bids and offers, finally culminating in price; and since opinions differ, prices fluctuate. Panaceas to prevent price fluctuation, therefore, the author characterizes as "Alice-in-Wonderland absurdities." In this category he places Fisher's "mad dollar" and the United States Grain Growers' wheat pool.

"To suggest," says the author, "that a money standard, or a monetary system, or a 'coöperative' plan can be devised that will practically eliminate changes in value, and hence changes in price, and thus put an end to speculation is no more nor less than to suggest a device for making the opinions of mankind agree and remain immutable. Such a suggestion contemplates extracting from human nature its dominant characteristic—difference of individual opinion concerning the unknown."

Part II of the book (126 pages) can be briefly summed up. It contains the rules of speculation—how to make an art of it. The author first gives the historic background of speculation, characterizing it as the natural and unconscious development by economic society of aids to better distribution. He considers the problem of distribution as greater than the problem of production.

An organized speculative market, a broad market, according to the author, is the nearest realization we can have of the bringing together and making identical in each exchange of the price and value of the articles dealt in, and this kind of a speculative market has added value by being liquid, and by stabilizing values. The rules for making a success of speculation, elaborated very fully, are reduced to these four: (1) Do not over-trade. (2) Always definitely fix the amount of profit sought in a speculation and the amount of loss that will be submitted to. (3) Think for yourself. (4) Do what you have decided to do.

Economists will doubtless find it interesting and wholesome to read what a "practical man" has to say about them and their field of work. In the opinion of the reviewer Mr. Hoyne has done notably constructive work in helping us forward towards a better statement of our theories of value and price.

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